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EPA'S USE OF 'CAP-AND-TRADE' PROGRAM DAMAGES STATE'S COMPETITIVENESS, ENDANGERS ENVIRONMENT

Pennsylvanians Have Paid to Upgrade Other States' Plants More Than Other States' Ratepayers

HARRISBURG — The U.S. Environmental Protection Agency's use of a "cap and trade" to regulate mercury emissions from coal-fired power plants not only will send energy dollars and construction jobs out of Pennsylvania, but it also will make the commonwealth less competitive by discouraging enhancements to in-state energy infrastructure.

"Although Pennsylvania is a strong proponent of trading and other market mechanisms, allowing such a program for this highly toxic pollutant compromises the integrity of trading and jeopardizes its legitimate use as an effective tool to achieve cost-effective reductions when used in appropriate situations," Environmental Protection Secretary Kathleen A. McGinty said.

Because of banking and trading provisions in the federal mercury rule, utilities do not have to make emission reductions in Pennsylvania. Instead, they can purchase these reductions from upgraded facilities in other states as opposed to investing to clean up plants here.

Power companies in Pennsylvania have bought credits to a greater extent than power companies in any other state in the union. Because of that, they've paid for upgrades at plants outside the commonwealth, making in-state facilities less competitive compared to upgraded plants helping to feed an increasing integrated power grid. In just the last few years, the grid that serves Pennsylvania now serves all or part of 13 states.

This means that Pennsylvania plants now compete with plants that Pennsylvania ratepayers have been paying to upgrade, while Pennsylvania power companies have delayed in-state improvements.

"We push policies that push upgrades out of state at our peril," McGinty said. "Commonwealth ratepayers ultimately would pay the price, as their money would head out of state to upgrade competitors' plants and clean up other states' environments."

McGinty also stressed that using a cap-and-trade program to control mercury is a potentially unlawful and dangerous abuse of this innovative tool to improve air and water quality. The federal Clean Air Act of 1990 expressly prohibits trading for toxics like mercury.

A December 2000 regulatory finding by EPA determined it is "appropriate and necessary" to regulate mercury emissions from coal-fired power plants as a hazardous air pollutant. But in January 2004, EPA rescinded that 2000 regulatory finding requiring control technologies. EPA's revised finding, which became final in March 2005, cleared the way for the agency to reject the technology requirements and put in place a trading program.

A report issued by EPA's Inspector General Nikki L. Tinsley indicated that the mercury emission limits in the final mercury rule were pre-selected by EPA management to conform to the Clean Air Interstate Rule and did not represent a valid analysis of all the possible mercury control options. The EPA Inspector General also stated that the development of a standard to reduce mercury emissions from coal-fired power plants was "compromised and, therefore, may not represent the lowest emissions level that could be achieved."

"Not only is the federal action unlawful, it has been challenged in federal court by numerous states, including Pennsylvania. But, there is no new science supporting the notion that mercury, recognized by Congress in 1990 and EPA in 2000 to be hazardous, has now been transformed into a relatively less toxic chemical," McGinty said. "In fact, recent studies indicate the problem is worse than previously thought, from a public health standpoint and in terms of the amount of mercury already present in the environment."

Unlike other air contaminants that disperse broadly, mercury deposits locally and tends to concentrate, creating toxic "hot spots" of contamination.

In February, EPA-funded research showed that nearly 70 percent of the mercury collected at an Ohio River Valley monitoring site originated from nearby coal-burning industrial plants. Conducted over two years in Steubenville, Ohio, the study is the first in which scientists used rain samples and meteorological data to track mercury from smokestacks to monitors. An earlier EPA Office of Water study found local sources within a state commonly contribute more than 50 percent to 80 percent of the mercury deposition.

Earlier this month, Massachusetts reported a 32 percent average decrease in the level of mercury found in yellow perch caught in nine lakes in the northeast corner of the state, where a cluster of incinerators is located. The reductions came seven years after the state enacted the nation's toughest mercury

emission laws for incinerators. Comparatively, yellow perch from lakes elsewhere in the state recorded a 15 percent drop on average.

Other studies have had similar findings. A Florida Everglades study showed that mercury concentrations found in fish and wading birds there dropped by 60 to 70 percent due to local mercury emission reduction efforts.

“These studies illustrate the point that local emission reduction efforts play a substantial role in improving air quality and the environment,” McGinty said.

So far, 21 states, including Pennsylvania, have – or are about to adopt – state-specific proposals to reduce mercury emissions from coal-fired electric generating units. That makes EPA’s cap-and-trade program ineffective. With more states going their own way and deciding not to participate in the trading program, there are fewer credits available.

Details about Pennsylvania’s state-specific mercury reduction plan are available on DEP’s Web site at www.depweb.state.pa.us.

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EDITOR’S NOTE: This release is the fourth in a series to address key issues regarding Pennsylvania’s state-specific mercury reduction proposal. Visit the department’s Web site at www.depweb.state.pa.us for all the releases and related articles.